Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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Congressional Justification for Not Capping GHG Emissions and Growth of the Industrial Sector

Congress has a choice to make and it is a decision it cannot afford to make incorrectly. The future of the US manufacturing sector is at stake. Congress must decide whether to maintain and possible increase US manufacturing jobs by not capping GHG emissions on the industrial sector, or create jobs in foreign countries and import manufacturing products to supply the needs of the US economy.

The manufacturing sector is vital to the economic and security welfare of this country. We provide the largest contribution to GDP at 12 percent, over 60 percent of the exports; employ over 14 million people.

Capping the greenhouse gas (GHG) emissions of the industrial sector will needlessly drive up manufacturing costs, drive investment and jobs offshore and increase imports. Job losses are needless because there are policies that can significantly reduce GHG emissions without using cap and trade.

We urge this Congress to wake up to the reality that there is nothing that cannot be produced overseas cheaper than made in the US. The speed at which the world around us is changing is accelerating and we face enormous challenges competing for domestic and offshore markets and unfortunately… it looks like we are losing ground.

From 2000 to 2008 imports are up 29 percent and manufacturing employment fell 22 percent, a loss of 3.8 million high paying jobs. Of great concern is that manufacturing investment in the US as a percent of GDP has been on a decline since the late 1990s.

At the same time, significant new capital investment, often with the latest technology has made companies in developing countries top in class competitors. Many of these companies are state owned and are subsidized. Our competitors are third world countries with first rate manufacturing technology.

The global economic recession, the likes not seen since the Great Depression is of overwhelming concern to the business community and it is unthinkable that the Congress would consider acting to imposing higher energy and environmental compliance costs.

Domestic and global economic uncertainties are enormous and should not be under estimated. Manufacturing is not out of the woods and the economic viability of our sector is best described as fragile.

To be clear, this is not the time to experiment with complex, costly, non-transparent, unproven, and vulnerable to fraud and manipulation policy that is inherent in “cap and trade”.

The potential negative implications for us who compete globally are profound and the potential for unintended consequences are limitless and include the dismantling of the manufacturing sector, country trade retaliation and use of carbon as a competitive advantage for their manufacturing sector.

To be sure, acting now to regulate GHG emissions in 2012 will have the same effect as starting in 2009. The potential exists for company management to act preemptively to protect shareholder value by making decisions to invest their capital in other countries where they can prosper.

There is no confidence that developing countries like China or India will impose GHG reduction costs on their manufacturing sector. The manufacturing sector is their engine of economic growth, employment and export dollars. They have already said they will not jeopardize economic growth and neither should we.

Chairman Waxman’s legislation, to their credit recognizes the competitive vulnerability of our sector and has added a provision designed to prevent job losses. Unfortunately, these provisions will not hold us harmless even with 100 percent free allowances. We would make the case that the indirect costs, that is, the higher costs of natural gas and electricity could be greater than the imposed carbon costs.

The manufacturing sector strongly supports policies that improve energy efficiency and reduce GHG emissions so long as they are cost effective and increases - not decreases competitiveness. We urge climate leadership with cost effective policy.

Thank you.

Paul Cicio
President

The Industrial Energy Consumers of America is an association of leading manufacturing companies with $510 billion in annual sales and with more than 850,000 employees nationwide. It is an organization created to promote the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: plastics, cement, paper, food processing, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.